

Message Text

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ORIGIN AID-20

INFO OCT-01 NEA-14 ISO-00 EB-11 TRSE-00 H-03 L-03 SP-03

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DRAFTED BY GC/ASIA:MGKITAY:JET
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FM SECSTATE WASHDC
TO AMEMBASSY COLOMBO IMMEDIATE
INFO AMEMBASSY NEW DELHI PRIORITY

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NEW DELHI FOR O'DONNELL (AID)

E.O. 11652: N/A

TAGS: EAID, CE

SUBJECT: MOV NEGOTIATIONS - PROPOSED LETTER OF AGREEMENT

REF: A) COLOMBO 1667; B) COLOMBO 1692; C) STATE 135447

1. PROPOSED REF A LETTER TOGETHER WITH CHANGES IN REF B
AND FURTHER REVISIONS SET FORTH BELOW IF CONFIRMED THROUGH
COUNTERSIGNATURE OR AN APPROPRIATE RESPONSIVE LETTER WILL
CONSTITUTE REQUISITE FORMAL AGREEMENT PURSUANT TO THE
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FEB. 25, 1974 CIRCULAR 175 AUTHORITY. YOU ARE HEREBY

AUTHORIZED TO CONCLUDE SUCH AN AGREEMENT.

2. REVISIONS TO REF A TEXT AS FOLLOWS:

A. IN LINE 4 REF A DELETE PHRASE AFTER "OUTSTANDING" TO END OF SENTENCE. INSERT IN LIEU THEREOF "MAINTENANCE (THE "ICA LOANS") AND DLF LOANS NUMBER 4,9, AND 156 (THE "DLF LOANS")."

B.DELETE THE PHRASE "IN PRINCIPLE" WHERE IT APPEARS TWICE IN DRAFT TEXT. THE EFFECT OF THIS DELETION IS TO MAKE THE LETTER EXCHANGE MORE CLEARLY A DEFINITIVE AGREEMENT.

C. DELETE THE COMPROMISE FORMULA AS STATED IN REF A AFTER THE SENTENCE "THE UNITED STATES PROPOSES A COMPROMISE FORMULA, AS FOLLOWS" AND INSERT THE FOLLOWING IN LIEU THEREOF:

"(A) APPLICABLE RATES OF EXCHANGE ON THE ICA LOANS. PURSUANT TO THE TERMS OF THE RESPECTIVE ICA LOAN AGREEMENTS, IT IS MUTUALLY AGREED THAT (1) ALL SUMS BECOMING DUE AND PAYABLE ON OR AFTER JULY 1, 1974 ON LOANS ICAX-1 AND ICAX-2 SHALL BE PAID AT THE OFFICIAL RATE OF EXCHANGE PREVAILING ON THE DATE OF PAYMENT AND ALL SUCH SUMS DUE AND PAYABLE ON LOANS ICAX-3 SHALL BE PAID AT THE FOREIGN EXCHANGE ENTITLEMENT CERTIFICATE ("FEEC") RATE OF EXCHANGE PREVAILING ON THE DATE OF PAYMENT; IT BEING UNDERSTOOD THAT THE RESPECTIVE DATES OF PAYMENT FOR EACH OF THE ABOVE LOANS ARE AS SET FORTH IN THE AMORTIZATION SCHEDULED PRESENTLY EXISTING WITH RESPECT TO EACH LOAN.

(2) ALL SUMS DUE ON THE ICA LOANS PRIOR TO JULY 1, 1974 AND UNPAID ON SUCH DATE SHALL BE PAID AT THE OFFICIAL RATE OF EXCHANGE PREVAILING ON THE SCHEDULED DATES FOR PAYMENT OF ARREARAGE AS DESCRIBED IN PARAGRAPH (B) OF THE LETTER.

(B) ARREARS AND PAYMENT SCHEDULE

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(1) ARREARAGES AS SUCH TERM IS USED HEREIN REFERS TO ALL SUMS OF PRINCIPAL AND INTEREST DUE AND UNPAID AS OF JULY 1, 1974 ON THE ICA AND DLF LOANS. IN COMPUTING SUCH ARREARAGES IT IS UNDERSTOOD THAT INTEREST ON THE UNPAID AND DEFERRED BALANCES UNDER EACH LOAN FROM JANUARY 1, 1973 TO JULY 1, 1974 HAS BEEN CHARGED AT THE APPLICABLE CONTRACT RATE OF INTEREST SET FORTH IN THE RESPECTIVE UNDERLYING LOAN AGREEMENTS AND, WHEN DUE IN ACCORDANCE

WITH THE RESPECTIVE EXISTING AMORTIZATION SCHEDULES, SUCH INTEREST HAS BEEN CAPITALIZED (ADDED TO THE PRINCIPAL BALANCES DUE). ON JULY 1, 1974 AND THEREAFTER UNTIL THE LOANS ARE PAID IN FULL IT IS FURTHER UNDERSTOOD THAT INTEREST ON THE OUTSTANDING BALANCES OF THE RESPECTIVE LOANS, INCLUDING ANY DUE AND UNPAID INTEREST THEREON AND DUE AND UNPAID ARREARAGES, SHALL ACCURE AND BE PAYABLE AT THE APPLICABLE CONTRACT RATE OF INTEREST SET FORTH IN THE UNDERLYING ICA AND DLF LOAN AGREEMENTS.

(2) THE ARREARAGES ON THE ICA AND DLF LOANS SHALL BE PAID, TOGETHER WITH INTEREST THEREON IN EIGHT APPROXIMATELY EQUAL SEMI-ANNUAL INSTALLMENTS COMMENCING ON OR AFTER JULY 1, 1974. THE EIGHT SPECIFIC PAYMENTS DUE FOR

EACH RESPECTIVE LOAN SHALL BE IDENTICAL TO THE PAYMENT DATES APPEARING IN THE EXISTING AMORTIZATION SCHEDULE FOR EACH LOAN.

O. AFTER COMPROMISE FORMULA ABOVE, INSERT THE FOLLOWING SENTENCE IN LIEU OF REF A SENTENCE BEGINNING WITH "IF YOU..." AND ENDING WITH "...DRAWN UP SUBSEQUENTLY.": "IF YOU ARE IN AGREEMENT WITH THIS PROPOSAL, I SHOULD APPRECIATE YOUR SO CONFIRMING BY YOUR SIGNATURE ON THE ENCLOSED COPY OF THIS LETTER IN THE SPACE PROVIDED BELOW WHICH CONSTITUTE AND AGREEMENT DATED AS OF JULY 1, 1974." OR IN THE ALTERNATIVE "BY LETTER, WHICH WITH MY LETTER, WOULD CONSTITUTE AN AGREEMENTS HAVING EFFECT AS OF JULY 1, 1974. THE UNITED STATES GOVERNMENT SHALL PROMPTLY UPON RECEIPT OF YOUR COUNTERSIGNATURE (OR LETTER IN EXCHANGE) PREPARE AN IMPLEMENTATION LETTER SETTING FORTH REVISED AMORTIZATION SCHEDULES IN ACCORDANCE HEREWITH. EACH OF OUR GOVERNMENTS UPON REQUEST WILL EXECUTE SUCH FURTHER DOCUMENTS AS MAY BE NECESSARY AND PROPER TO IMPLEMENT THIS AGREEMENT. TO THE EXTENT NOT EXPRESSLY LIMITED OFFICIAL USE

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MODIFIED HEREBY, IT IS UNDERSTOOD THAT THE TERMS AND CONDITIONS OF THE ICA AND DLF LOANS SHALL REMAIN IN FULL FORCE AND EFFECT. ACCEPTED AND AGREED BY....".

E. WE WOULD PREFER THE LETTER TO BE COUNTERSIGNED BY APPROPRIATE GSL OFFICIAL FORECLOSING POSSIBILITY OF NON-RESPONSIVE RETURN LETTER. HOWEVER, WE LEAVE THE METHOD OF ACHIEVING FORMAL AGREEMENT TO YOUR DISCRETION.

3. INITIAL PAYMENT FIGURE PARA 3 REF B INCORRECT. SEPTTEL WILL CORRECT.

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